FISCAL NOTE

SB 309 - HB 1372

March 5, 2003

SUMMARY OF BILL: Amends the retirement law as follows:

1. From and after July 1, 2003, a person only has to be retired for 60 days or more in order to return to employment as a K-12 public school teacher. Currently, the law requires the retiree to be retired for at least one year.
2. Deletes the current June 30, 2005 sunset provision for teachers returning to work after one year.
3. Any person returning to employment under the above conditions during the period from July 1, 2003 until June 30, 2008 would receive only 25% of the retirement benefit otherwise entitled to receive; provided that, after July 1, 2008, any person returning to employment will receive the full amount of his/her retirement benefit. Further, any person whose retirement benefit was limited to 25% will have his/her then current retirement benefits increased after July 1, 2008 in an amount equal to 75% of such benefits which were not paid during the time of re-employment, as approximately amortized.

ESTIMATED FISCAL IMPACT:

Increase State Expenditures - $7,860,000 Annual Amortized Cost

Increase Local Govt. Expenditures* - $5,062,000 Annual Amortized Cost

Estimate assumes:

- Summer recess could be used to meet the 60-day retirement period.
- Approximately 6800 teachers with 30 or more years of service are expected to accelerate their retirement by an average of two years.
- Additional lump sum liability of $129,000,000 amortized over 20 years.
- Reduction of one year to 60 days of actual retirement before returning to work is expected to create a significant change in the pattern of retirement.
- Inclusion of the state and local government employees would increase the annual cost and liability proportionately.
- Additional administrative cost of $267,000 to fund costs associated with four positions to work accelerated retirement and programming costs included in annual amortized cost.
- Funding ratio between state and local is 60% state and 40% local education agencies.

*Article II, Section 24 of the Tennessee Constitution provides that: *no law of general application shall impose increased expenditure requirements on cities or counties unless the General Assembly shall provide that the state share in the cost.*

CERTIFICATION:

This is to duly certify that the information contained herein is true and correct to the best of my knowledge.

James A. Davenport, Executive Director